



North Carolina Department of Health and Human Services

Division of Budget and Analysis

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Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

James B. Slate, Jr., Director

December 1, 2005

MEMORANDUM

To: Division Directors
Office Directors
Budget Officers

From: Jim Slate

Subject: Critical Budget Needs for SFY 2005-06

Each year the Department of Health and Human Services is faced with managing programs and operations which are unfunded or are critically under-funded in the department's operating budgets. These deficiencies, referred to as "critical needs," are mission critical activities for which funds must be identified.

It has been the practice of our department to approach managing this task in a two step process whereby first, critical needs across the department are identified, and second, available resources are identified that can be budgeted to fund these critical needs. This process culminates in development of a comprehensive financial plan, centrally managed by the Division of Budget and Analysis and used by this office and senior department management for decision making and to initiate budget actions.

The purpose of this memorandum is to initiate the annual critical needs process.

IDENTIFYING CRITICAL NEEDS

First, Division directors, Office directors and budget officers are asked to collaboratively review their respective budgets to identify mission critical needs that are currently unbudgeted or under-budgeted. For this process, the term "mission critical" means a core service, program or activity that requires additional funding in order to operate at the level expected by the Administration and the Legislature through June 30, 2006.

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Other actions that are outside of the definition of mission critical may be funded in this process to the extent possible given limited available resources, but we hope to minimize these requests and encourage Division directors, Office directors and budget officers to objectively assess such requests before submitting them to the department as a critical need.

Items identified as critical needs should be reported on the form provided by way of attachment to this memorandum. The form is used to help assess needs, identify appropriate funding, and justify budget actions that will ultimately follow. Upon completing this phase of initially assessing and reporting critical needs, you are asked to continually update your critical needs list and communicate those changes to our office. It is anticipated that you will add to or delete from your initial critical needs list as circumstances warrant throughout the fiscal year. You should also expect to be contacted periodically by your DHHS analyst to discuss and update critical needs.

IDENTIFYING AVAILABLE RESOURCES

As in previous years, all available resources within this Department are considered potentially available to budget for the benefit of the citizens whom we serve. However, the Department is required again this year to manage and maximize resources for DHHS critical needs while meeting legislative requirements to budget a portion of the department's one time resources to cover negative reserves, making less of these resources available for critical needs. Furthermore, critical needs of a department-wide nature must also be considered – and managed -- within the overall funding availability. For these and other reasons, it is imperative that division managers realize that available resources within division budget codes are considered department resources and, as such, are available to support any of identified priorities, mandates, or departmental and division critical needs.

With this in mind, you are asked to identify the funding availability within the budgets you manage and report resources that are unbudgeted, or are currently budgeted but available to be realigned to meet a critical need. Resources that should be reported include:

- Lapsed salaries and fringe benefits (report General Fund share only);
- All other budgeted requirements that are estimated to be under-spent (report General Fund share only);
- Receipts that will be realized in excess of budget, such as prior year earned revenues, refunds from prior years, earned indirect costs, and other receipts that, if unbudgeted, will revert to the State Treasury;
- Available federal funds that could be budgeted in lieu of state appropriations; and
- Any other available resources.

Forms are not provided for this purpose, and divisions are asked to provide an estimate of availability from each of the sources of funds listed above, or other known resources, in the electronic form of choice.

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REPORTING CRITICAL NEEDS AND AVAILABLE RESOURCES

Please submit the information requested above on both critical budget needs and potential funding sources to the attention of your assigned analyst in the Division of Budget and Analysis. As you identify changes to this information, please report it through your analyst in a timely manner.

In order to collect and analyze this information and to create the financial plan, we request that you submit this information by **January 13, 2006**. All critical needs will be presented to DHHS management for consideration. You will receive feedback from your analyst as the decision making process evolves and as items are recommended for funding and moved through the OSBM review and action process.

If you have questions, please contact your analyst in this office. We look forward to working with you through the critical needs and resource planning process.

JBSjr:gg

Attachment

cc: Allyn Guffey
Dan Stewart
Jackie Sheppard
Allen Dobson
Rob Lamme
Daphne Lyon
DHHS Budget Analysts